



## U.S. FISH AND WILDLIFE SERVICE TRANSMITTAL SHEET

PART 417 FW 1-6	SUBJECT Audits: Policies and Responsibilities; Planning; Conducting and Reporting on Audits; Audit Resolution; Appeals; Single Audit Act Report Resolution	RELEASE NUMBER 454
ORIGINATING OFFICE Division of Federal Assistance		DATE 08/23/2004

### EXPLANATION OF MATERIAL TRANSMITTED:

This release establishes Part 417 (Federal Assistance Audits) of the Fish and Wildlife Service Manual. It establishes policy and responsibilities for grantee audits, defines terms associated with audits, and provides an overview of the audit process. The policy describes audit planning and provides procedures for conducting audits and reporting on them. It establishes policy and procedures for tracking audits, resolving findings, implementing recommendations, and making appeals about findings or corrective actions. The policy also describes how to resolve findings and implement recommendations from audits under the Single Audit Act.

  
DIRECTOR

### FILING INSTRUCTIONS:

Remove:

None

Insert:

417 FW 1, 08/23/04, FWM 454  
417 FW 2, 08/23/04, FWM 454  
417 FW 3, 08/23/04, FWM 454  
417 FW 4, 08/23/04, FWM 454  
417 FW 5, 08/23/04, FWM 454  
417 FW 6, 08/23/04, FWM 454

**FISH AND WILDLIFE SERVICE  
AUDITS**

**Audits**

**Part 417 Federal Assistance Audits**

**Chapter 3 Conducting and Reporting on Grantee Audits**

**417 FW 3**

**3.1 What is the purpose of this chapter?** This chapter provides procedures for conducting audits and audit reporting for Federal Assistance Program grantees. See 417 FW 1 for authorities, responsibilities, and definitions. Other chapters in Part 417 establish policy and procedures for audit planning, resolution of findings and recommendations, and appeals.

**3.2 What is the objective of conducting audits and reporting on audits?** The objective of conducting audits and reporting on audits is to ensure that independent examination of grantees is consistent with Government Auditing Standards. After conducting this examination, the Office of the Inspector General (OIG) issues a final audit report.

**3.3 What steps are involved in conducting audits and reporting on audits?**

**A. Audit Entrance Conference.** The auditor schedules this conference in consultation with the grantee and the Regional Director or Manager, California/Nevada Operations Office (CNO) to mark the official beginning of the fieldwork. Participants include the auditor and representatives from the grantee and the Region/CNO. The auditor will explain the audit objectives and process, address logistical needs, establish a tentative schedule, and answer questions.

**B. Fieldwork.** Fieldwork usually takes 3 to 4 months to complete, including site visits. The auditor, the grantee, and the Regional Director/CNO Manager communicate regularly to resolve potential audit findings and recommendations before the auditor prepares the draft audit report.

**C. Compilations of Findings and Recommendations.** Before the exit conference, the auditor will provide the grantee and the Service with a compilation of the findings and recommendations that were developed during the audit and that will be used as the basis for preparing the draft audit report.

**D. Audit Exit Conference.** After providing the compilation of findings and recommendations for review and at the request of the grantee, the auditor schedules an audit exit conference with the Regional Director/CNO Manager and the grantee. This conference, which is the grantee's option, is an opportunity for the grantee and Service representatives to ask for or provide further clarification and to address any other concerns. If significant changes are made to the findings and recommendations on the basis of discussions at the exit conference or as a result of additional audit work after the exit conference, the auditor will provide the revised findings and recommendations to the grantee and the Service. Transmittal of this document will include a

request for comments prior to preparing the draft audit report. The completion of the audit exit conference marks the completion of the fieldwork.

**E. Draft Audit Report.** After the exit conference, the auditor will provide a draft audit report to the Service and the grantee, with a request that written comments be submitted within 45 days. The grantee must provide comments to the Regional Director/CNO Manager, who will forward them to the auditor. With adequate justification, the grantee can request, in writing, additional review time from the Regional Director/CNO Manager.

**F. Final Audit Report.** The final audit report is issued by OIG to the Director and includes the grantee's response, the Service response, and the auditor's reply.

**3.4 Who provides technical guidance to the auditor on interpretation and application of Federal Assistance Program rules and regulations?** The Regional Director/CNO Manager provides routine guidance and interprets laws, rules, regulations, and policies for the auditor during the audit. The Assistant Director, Wildlife and Sport Fish Restoration Programs (AD-WSFR) ensures consistent interpretation and application of rules, regulations, and laws nationwide.

**3.5 Will the auditor issue status reports?** Yes. During the fieldwork, the auditor provides monthly status reports, or more frequently if specified during the entrance conference, to the Regional Director/CNO Manager; the Chief, Division of Federal Assistance Washington Office (Chief-FA/WO); and to the grantee, unless the grantee advises otherwise. The status report describes preliminary findings and how the audit is progressing.

**3.6 Is the Service required to share monthly status reports?** No. The auditor's monthly status reports are proprietary, so we will only share these reports with the grantee.

**3.7 Will the auditor consult with the Service on potential findings while the audit is in progress?** Yes. The auditor must report all potential findings to the grantee, the Regional Director/CNO Manager, and the AD-WSFR as soon as possible. However, in the case of illegal activity or suspected fraud, the auditor must immediately report such findings to the OIG, Division of Investigations, without notice to the Service or grantee.

**3.8 How does the Service address major issues identified during the audit?** If the Regional Director/CNO Manager or the Chief-FA/WO has a concern about potential findings by the auditor, he/she contacts the AD-WSFR, the auditor, and the grantee to

**FISH AND WILDLIFE SERVICE  
AUDITS**

**Audits**

**Part 417 Federal Assistance Audits**

**Chapter 3 Conducting and Reporting on Grantee Audits**

**417 FW 3**

deal with the issue(s) as soon as possible. If the Regional Director/CNO Manager or the Chief-FA/VO believes that an issue is of national concern, he/she notifies the AD-WSFR. The AD-WSFR determines the appropriate action to resolve the matter and issues written guidance to the Regional Directors/CNO Manager.

**3.9 Can audit findings be resolved while the field audit is still in progress?** Yes. When practical and feasible, we work with grantees to resolve audit findings while the auditor is still on site so that he/she can verify and document the resolution in audit work papers and report the resolution in the draft and final audit reports. The auditor must document all reportable conditions, including those resolved during the audit, to meet Government Auditing Standards. Upon written request to the auditor, the auditor will give the Service and the grantee copies of the auditor's working papers so that we can more fully understand and resolve the audit findings and recommendations.

**3.10 Will the Service and the grantee have an opportunity to review findings and recommendations before the exit conference?** Yes. Copies of findings and recommendations will be provided to the Service and grantee for comment as they are developed throughout the audit fieldwork phase. The auditor can revise the findings and recommendations based on any comments received from the Service or the grantee. The findings and recommendations are the basis for the draft audit report.

**3.11 Is an audit exit conference required and, if so, when does it occur?** No, the conference is not required; however, one will be held at the request of the grantee. The auditor schedules the audit exit conference with the Service and the grantee to occur on a mutually agreeable date. This conference is an opportunity for the grantee and the Service to request or provide further clarification on the potential findings and to address any other concerns relating to the conduct of the audit. Participants include the auditor and representatives of the Service and the grantee.

**3.12 Can audit findings change as a result of the exit conference?** Yes. The auditor takes information received during the exit conference under advisement. The auditor may modify the findings or recommendations before preparing the draft audit report.

**3.13 Will the grantee and the Service have an opportunity to review and respond to audit findings in the draft audit report?** Yes. How grantees and the Service respond to audit findings is described in more detail below.

**A.** After receipt of the draft audit report, the grantee and the Service have 45 calendar days to:

- (1)** Concur with the audit findings and recommendations;
- (2)** Offer clarifying language for incorporation into the report; or
- (3)** Disagree with audit findings or recommendations and provide additional information, if appropriate, to support the grantee's or Service's position on specific audit findings.

**B.** The grantee may ask the Regional Director/CNO Manager for additional review time. This written request must include supporting justification. The Regional Director/CNO Manager responds in writing to the grantee's request and instructs the auditor and the grantee accordingly after consulting with the Chief-FA/VO and OIG.

**C.** The auditor will summarize the responses from the grantee and the Service in the final report and include the complete text of the grantee's response as an attachment. The auditor will include supporting documentation submitted with the grantee's response when feasible.

**3.14 Will the auditor respond to the written comments from the grantee and the Service on draft audit report findings and recommendations?** Yes. The auditor responds to the comments in the final audit report.

**3.15 Who issues the final audit report, and to whom is it issued?** The auditor issues the final audit report to the Service Director, with a copy sent to the AD-WSFR and to the Chief-FA/VO. The auditor also sends copies of the report to the appropriate Regional Director/CNO Manager and the Service Audit Liaison Officer. The Chief-FA/VO distributes informational copies to all other Regional Directors/CNO Manager.

**3.16 Who provides the final audit report to the grantee?** The Regional Director/CNO Manager immediately transmits a copy of the final audit report to the grantee.

**3.17 Who can distribute the final audit report to the public?** The auditor develops the final audit report and distributes it as described in 43 CFR 2.15. The auditor can distribute the final audit report when it is issued.

**3.18 Will final audit reports appear on the Internet?** As the "office of record," the OIG makes the decision to post final audit reports on the Internet in accordance with Departmental regulations (43 CFR 2.15). They will post final audit reports after appropriate review and as time

**FISH AND WILDLIFE SERVICE  
AUDITS**

**Audits**

**Part 417 Federal Assistance Audits**

**Chapter 3 Conducting and Reporting on Grantee Audits**

**417 FW 3**

allows. Requests for copies of final audit reports not found on the OIG's Internet site should be directed to the OIG Freedom of Information Act (FOIA) Officer.

**3.19 Can a grantee register a formal complaint about the conduct of the audit?** Yes. A grantee may register a written complaint with the Regional Director/CNO Manager at any point during the audit.